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SUBJECT: Iranians Pine For Relief As GOI Tightens Grip

¶1. (SBU) SUMMARY: CONOFF surveyed Iranian non-immigrant visa (NIV) and immigrant visa (IV) applicants from mid-December to early January 2009 to gain insight into Iran's current economic and political climate. Applicants report a bleak economic outlook due to continued corruption and mismanagement, paired with dramatic inflation over the past years and uncertainties at the prospect of additional sanctions. Applicants further report that since the June 2009 elections, the Iranian government has taken measures towards increased state control over the economy to the detriment of private businesses. They added that the few who control the government are diverting the country's oil money into their own pockets in order to buy loyalty at home and to fund militant groups abroad. Most applicants state they believe that in the distant future the government will collapse if it does not compromise. Others warned that the threat of military force or sanctions would only harm the opposition by giving the government an excuse to more harshly crack down as it did in the Iran-Iraq war. END SUMMARY.

¶2. (SBU) Due to soaring prices and stagnant incomes, applicants said they have to work at least two jobs to make ends meet. As one Tabrizi woman noted, her son works in a tractor plant from morning to afternoon and runs a gift shop from afternoon to evening. Applicants attribute price increases to rampant corruption, especially among the bazaaris. One recently retired Iranian diplomat explained that leading bazaaris periodically meet to set prices artificially high. Other merchants follow their lead and set prices accordingly. The bazaaris would rather let their products rot than sell at reduced prices. He added that the Bazaar has great political influence through the Motalafeh party headed by Habibollah Askar-Oladi Mosalman. He claimed that it was not in the interest of the Bazaar to open relations with the United States as that would put at risk their oligarchic grasp of the economy. A wealthy Khuzestan-based bazaar confirmed that the Bazaar has great economic clout and sets prices, but dodged questions about its political influence.

¶3. (SBU) A civil engineer from Hamadan voiced concerns about the Iranian government's push to eliminate all subsidies by 2011. He said that in contrast to privatization efforts since the 1979 revolution, the government now is trying to crush private enterprise and centralize control over the economy. He fears eliminating subsidies will cause massive inflation, especially for energy prices. He added that eliminating the subsidies will take money out of public view so that it can be used for clandestine purposes at home and abroad.

¶4. (SBU) Based on applicant reports, inflation in Iran has rapidly increased in the past four years. One applicant said the government claims a current inflation rate of 12%, but most applicants report the annual rate of inflation at around 20%. One Tehrani claimed that in the past three months grocery prices have quadrupled. A Tehrani businessman said that the current savings interest rate at a government bank is 15% for a one year deposit or 19% for a five year deposit. Applicants quoted average loan interest rates as anywhere between 17% to 28%. A retired National Bank employee noted that stocks have more or less been sluggish. He attributed this to Ahmadinejad's efforts to harm private business in order to increase

state control. He differentiated the Bazaar from other private businesses as being older religious establishments, which support the government in suppressing free markets.

15. (SBU) Applicants additionally attribute Iran's economic woes to unemployment, mismanagement, and unchecked corruption. Many retired applicants still hold jobs to make ends meet, yet applicants report continuing signs of unemployment problems. One Karaji factory worker said the government forced him to retire early as enough factories have not been built to provide jobs for the increasing worker population. A Tehrani civil engineer said that over the past few years he noticed a significant increase in the number of beggars on the streets. He said that some highly educated youths are forced to leave the country to find jobs. A Baha'i lab technician said that as the government and Islamic Republic Revolutionary Guard Corps (IRGC) have taken control of the private sector, it has been much harder for Baha'i's to find non-government work. A Tabrizi mechanical engineer said that incompetent factory managers are ruining Iran's industry. He cited managers as impulsive with no concern for advanced planning. An applicant said the situation is so unregulated that prices increase arbitrarily on a weekly basis. A Tehrani city contractor noted that corruption is so rampant that the government sometimes fails to pay for his services. A hydro-electric contractor working in Tajikistan explained that those engaging in illegal activity profit the most. He said, for example, the government puts high tariffs on cigarette imports, but does nothing to counter the sale of illegally imported cigarettes on the black market.

16. (SBU) Applicants report another protest will occur on February 11, Islamic Revolution Day. Some applicants said that in addition to increased use of detainment, torture, and rape after the December 2009 Ashura protest, the government has blocked BBC and VOA broadcasts, and increased its filtering of internet web sites and communications. One applicant explained that the opposition

movement has support in cities around the country, but is strongest in Tehran as it is easier to evade authorities in its immense population. He said in other cities it is much easier for authorities to monitor and suppress opposition activities.

17. (SBU) Although most applicants are not overly enthusiastic about the recent opposition protest movement, many said they believe the current regime will not survive in the long term without compromising. All applicants voiced anger over the June 2009 elections and said the government had lost legitimacy. An applicant from Khuzestan reported that a famous Iranian singer recently said, now "the regime can only control the people, it cannot manage the people." He claimed that 99% of the people dislike the regime and only a few thousand people at the top support it. He said only 25-30 mullahs make the decisions. He labeled the current regime a military government which only has legitimacy through the force of the IRGC. He explained that the government recently forced students, factory workers, and government employees to demonstrate in support of the regime by threatening them with the loss of their enrollment or jobs. He cited one reason more people do not come out in support of the protesters is fear of the instability like that seen in Iraq and Afghanistan.

18. (SBU) A Ministry of Health employee from Abadan noted that many former American Embassy hostage-takers came out and said it was a mistake to have taken the U.S. Embassy in light of the results. Many applicants expressed their love of America and Americans and they hope that America supports their efforts towards achieving freedom. A few explained that America should not be afraid of being seen as interfering by supporting their rights as most Iranians have forgotten or forgiven the past and in fact prefer the past to their current situation of repression and international isolation. A few noted that Russia and China are especially hated due to their protection of the current regime. Applicants warned that any military attack would only strengthen the regime's ability to crack down on the opposition much like they did in the Iran-Iraq war. One Tehrani banker said that current sanctions have not effected the government as they find loopholes around them. A Tehrani artist said that increased sanctions may only place more burdens on the people. He added that an embargo on the country's oil may be effective as it is the only source of government income; however, he feared China would block any proposed embargo due to major

investments they have made in Iran.

19. (SBU) COMMENT: In the past month, CONOFFs observed that with a few exceptions, most applicants state they dislike the regime and prefer change, but are not willing to take risks in supporting the opposition. At the same time, many applicants believe if the economy worsens, repression increases, and international isolation continues, the public will not be able to tolerate the current system any longer. Many note that the government cannot survive unless it compromises with the opposition. America's options to halt Iran's nuclear program must carefully be weighed in light of how they might affect the government's ability to justify increase centralization of power and government pressure on the opposition movement. END COMMENT.

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